

House Appropriations Committee  
Section B Speaking Notes

Section B has only one agency – Department of Public Health and Human Services

Agency Overview

LFD HB 2 narrative page – B-1

The 2013 biennium budget for DPHHS is \$3.7 billion, which is 41% of the total amount appropriated in HB 2 and 25% of the general fund. The major components of the DPHHS budget support:

- Direct services to individuals - \$3 billion or 81% of the total appropriation
- Grants to local governments and other entities - \$125 million
- Six state facilities - \$112 million

The single largest appropriation supports Medicaid services - \$2.0 billion over the biennium, including \$469.3 million general fund. Other major programs that provide direct services to individuals include:

- Supplemental Nutrition Assistance – SNAP
- Temporary Assistance for Needy Families – cash assistance and work programs
- Low-income Energy Assistance (LIEAP) and weatherization programs
- Healthy Montana Kids program services for children in families with incomes above 100% of the federal poverty level
- Foster care
- Childcare
- Women, Infants, and Children Special Nutrition Program

The 2013 biennium DPHHS appropriation supports 2,924.14 FTE. A significant portion of DPHHS employees are located in field offices throughout the state and in the six state facilities managed by the agency.

The 2013 biennium legislative appropriation is \$642 million higher than the 2011 biennium, but \$55 million lower than the executive budget request.

Major changes comparing the 2011 to the 2013 biennium are:

- Medicaid services - \$308.7 million
- SNAP benefits – \$250 million
- LIEAP and additional weatherization grants - \$26 million

Major changes from the executive budget are contained in the branch discussion. However the legislature eliminated support for non-D of A rent adjustments on a department-wide basis resulting in a reduction of \$444,000 general fund and \$326,000 federal funds across the biennium.

Monitoring – Critical Goals

LFD Budget Analysis – p. B-3 and B-4

The Subcommittee recommended that the Legislative Finance Committee monitor:

- The impact of budget reductions and the economy on agency workloads
- The continued implementation of Healthy Montana Kids
- Implementation of components of federal health insurance reform

Due to a reorganization, the agency budget is presented in three branches, one division, and the Director's Office.

## Economic Security Services Branch

LFD HB 2 Narrative page – B-15

The summary of the divisions of the Economic Security Services Branch are on pages B-19 through B-33 in the HB 2 Narrative.

### Primary Functions of the Branch

This Branch: delivers a broad range of social and public health services throughout Montana through the combined efforts of the:

- Disability Transitions Program (DTP)
  - Vocational Rehabilitation and Independent Living Programs – help individuals obtain and maintain employment and live independently
  - Montana Telecommunications Assess Program – provides specialized telecommunications devices and training for the deaf and hard-of-hearing
- Human and Community Services Division (HCSD) is responsible for the public assistance programs including:
  - Supplemental Nutrition Assistance Program – SNAP
  - Temporary Assistance for Needy Families – TANF
  - Low Income Energy Assistance Programs – LIEAP & Weatherization
  - Child Care and early childhood development programs
- Child and Family Services Division (CFSD) provides services related to the safety of Montana's children:
  - Foster Care and subsidized adoption
  - Family stabilization and reunification assistance
- Child Support Enforcement Division (CSED) assists with child support collections including:
  - Changes to the support agreements, or collecting for cases whose support is in arrears
  - Establishing paternity
  - Ensuring medical support or insurance coverage is provided for children

### Comparisons and Funding for the Branch

The 2013 biennium budget is \$287.0 million federal funds higher than the 2011 biennium budget. All but about \$200,000 of that amount is federal funding. General fund is actually lower than the 2011 biennium budget by \$1.5 million.

### Legislative Appropriations

The legislature appropriated over \$959.0 million total funds over the biennium for the branch, including:

**General fund** of about \$142.7 million over the biennium that is primarily used as match for federal funds.

- Child and Family Services – Over \$65.3 million in support of benefits, grants, and programs. The centralized intake function in CFSD is solely funded with general fund.
- Human and Community Services – Over \$58.5 million to support the match for federal funds, which includes the required TANF and child care maintenance of effort (MOE) as well as match in eligibility determination for federal public assistance programs such as SNAP and Medicaid
  - General fund represents about half of the funding for offices of public assistance throughout the state
- Child Support Enforcement – About \$8.2 million to support efforts for collection of child support

- Disability Transitions Program – About \$10.7 million as match for benefits and grants

**Federal funding** of about \$800.5 million is mostly used for benefits and grants. Some larger appropriations including the base amounts and appropriations for the biennium are:

- Over \$474.3 million for SNAP benefits
- Over \$69.0 million for child care benefits and programs and child nutrition
- About \$58.0 million for LIEAP and weatherization benefits
- Over \$55.0 million for TANF cash benefits and programs
- About \$33.0 million for Foster Care, Subsidized Adoption, Family Preservation and domestic violence prevention and counseling
- Over \$24.0 million for Vocational Rehabilitation, Independent Living, and Disability Determination Services
- Over \$10.0 for Child Support Enforcement

**State special revenue** of \$15.7 million supports the delivery of childcare and energy and weatherization services, some foster care costs and child support enforcement. State special revenue is the sole support of the Montana Telecommunications Access Program at about \$3.2 million.

### Major Changes

Human and Community Services Division: The legislature approved federal fund increases over the biennium of:

- \$250.0 million to support SNAP benefits
- \$20.0 million to support low income energy assistance (LIEAP) benefits
- \$9.9 million for child care and the Child and Adult Care Food Program grant
- \$6.0 million for weatherization and community assistance

Child and Family Services Division:

- \$2.1 million total funds with \$1.1 million general funds for Subsidized Adoption
- \$3.4 million total funds with \$2.4 million general funds for Foster Care

Differences from Executive Budget for the branch over the biennium are because the legislature:

- Reduced the amount requested by the Governor by:
  - About \$9.6 million in federal LIEAP funds (\$20.0 million was appropriated)
  - About \$1.3 million for the TANF cash benefits increase (nearly \$11.0 million was appropriated)
- Reduced the Governor's budget by over \$1.3 million general fund through:
  - Adoption of the 5% items submitted by the divisions and
  - A reduction for overtime and holidays worked of 25% (this was less than \$50,000 general fund)
- Did not appropriate the Governor's request:
  - To increase the TANF economic security program by over \$900,000 (the base of \$1.5 million each year remains)

### Major Legislative Initiatives/Implementation Legislation

#### **Addressing the TANF Block Grant**

##### **Transfer**

The legislature appropriated one-time-only federal TANF funding to the Early Childhood Services Bureau to free up general fund of over \$2.6 million for the biennium in child care services in the 2013 biennium.

The legislature then appropriated the available an equal amount of general fund to the Disability Services Division.

Because the general fund base budget in child care services was reduced by the transfer of general fund to the Disability Services Division, the legislature recommended statutory changes be included in legislation to implement the general appropriations act that would allow the division to include any funds expended in FY 2012 from the one-time-only appropriation of federal TANF funds for Child Care in development of the division's present law base

budget and fund the amount with general fund for the 2015 biennium. At the time of this writing, the implementation legislation was being drafted.

#### **Adjustment**

The legislature also approved a funding adjustment to the TANF block grant that funded the TANF block grant estimated share of indirect costs at \$5,938,878 for FY 2012 and \$6,110,282 for FY 2013 for reductions of about \$120,000 in FY 2012 and \$125,000 in FY 2013.

#### **TANF General Fund**

The legislature also approved an adjustment in the general fund budget for the federally required TANF maintenance of effort (MOE). The action increased funding for the TANF WoRC Contractors by \$170,000 each year of the biennium and reduced funding in TANF general fund benefits by an equal amount. There is no change in the base amount of TANF general fund. TANF benefits could be paid with federal TANF funds.

#### **Low Income Energy Assistance**

The legislature also approved an adjustment in the LIEAP grant to move over \$156,000 from advertising costs to other LIEAP operating uses for each year of the biennium. The adjustment does not reduce the LIEAP appropriation.

#### **The MTAP Fund Balance and Implementation Legislation**

The MTAP fund has a projected FY 2011 ending fund balance of over \$2.5 million. The legislature addressed this fund balance in two parts. The first action approved the executive's contingency request for authority to spend \$775,000 in FY 2013 for the Montana Telecommunications Access Program. Funding would be used in the event the federal government mandates that the states pay for new technology services that are presently covered by the National Exchange Carrier Association (NECA). There is additional discussion in the new proposal section and contingency language in the language section following new proposals.

The second action was a recommendation that statutory changes be included in legislation to allow a transfer of \$1,850,000 to the general fund for the 2013 biennium from the MTAP state special revenue fund balance. At the time of this writing, legislation to accommodate this transfer is being drafted.

#### **Director's Office**

LFD HB 2 Narrative page – B-34

**Primary Functions** – Provides overall policy development and administrative guidance for the department.

**Comparisons and Funding** – Funding through indirect cost allocations. Budget is lower when compared to the 2011 biennium due to adjustments for department termination costs.

**Major Changes** – Only changes in the budget were inclusion of the state and federal special revenues associated with the executive's reductions in the budget.

**Differences from Executive Budget** – See above

**Major Legislative Initiatives/Implementation Legislation** - None

#### **Operations Branch**

LFD HB 2 Narrative page – B-36

The summary of the divisions of the Operations Branch are B-40 through B-49 in the HB 2 Narrative.

**Primary Functions of the Branch**

The Operations Services Branch provides budget management, accounting, and operations. The divisions/offices under this branch are:

- Management and Fair Hearings Office (MFH)
  - Is responsible for all oversight and management of the branch. It contains the Office of Budget and Finance and the Office of Fair Hearings
- Business & Financial Services Division (BFSD)
  - Provides accounting, budgeting and business services
  - The Facility Reimbursement Section recovers cost-sharing funds for the state for individuals served in state facilities. In FY 2010 the unit recovered over \$29.4 million for the state.
- Quality Assurance Division (QAD)
  - Monitors and ensures the integrity and cost-effectiveness of department programs
  - Performs licensing, investigates fraudulent practices, performs audits of DPHHS programs
  - Maintains a registry for certified nurse aids and operates the Medical Marijuana Registry
  - Ensures compliance with federal, health-related programs and requirements
- Technology Services Division (TSD)
  - Provides support in operational and technological areas
  - Manages DPHHS IT projects
  - Provides system development, data base administration and data center hosting services
  - Provides department-wide network administration services

#### Comparisons and Funding

The 2013 biennium budget is \$1.9 million total funds higher than the 2011 biennium budget. General fund is higher than the 2011 biennium budget by only \$63,000.

#### Legislative Appropriations

The legislature appropriated over \$81.7 million total funds over the biennium for the branch, including:

**General fund** of about \$30.1 million over the biennium to the Operations Branch. The divisions received:

- Technology Services Division - Over \$17.3 million, primarily to support system development, project management, system maintenance and enhancement as well as contracted system work for Information Technology systems serving the entire agency
- Business and Financial Services Division - Over \$7.1 million to support its role as the centralized business center for the agency including the agency-wide fixed costs and audit
- Quality Assurance Division - \$4.7 million for use in its oversight, licensing, certification, and compliance functions as well as compliance and state licensure for assisted living or other facilities that receive no federal support
- Management and Fair Hearings - \$934,000 to support the staff and functions of the Office of Fair Hearings and the agency-wide Office of Budget and Finance

**State special revenue** of about \$4.9 million across the biennium primarily supports agency-wide fixed costs and functions associated with special fund sources supporting:

- The medical marijuana registry
- Healthy Montana Kids related system development, network connections, on-line application, as well as the Kids Insurance Determination System.

**Federal** appropriations of \$46.6 million pass through the cost allocation process and serve as the driver for the amount of general fund used by the branch.

## Major Changes and Differences from Executive Budget

The only major changes are from:

- Reductions to the Governor's budget of nearly \$800,000 general fund over the biennium through adoption of the 5% items submitted by the divisions

## Major Legislative Initiatives/Implementation Legislation

### *Contingent Language Appropriation*

The legislature also approved a contingent language appropriation that allows the Quality Assurance Division to procure a contractor to identify and recover Medicaid funds as required by the federal Affordable Care Act's strategy to address waste, fraud and abuse in the health care system. The contractor would be paid on a contingent fee basis at a maximum rate of 12.5% of gross recoveries from collected Medicaid provider overpayments. The Center for Medicare and Medicaid Services (CMS) must be reimbursed the FMAP share of net recoveries after the contingent fee to the contractor has been paid.

Language Appropriation: "The quality assurance division is appropriated one-time-only funding for the 2013 biennium in an amount not to exceed \$103,061 of the state special revenue fund share and \$204,308 of the federal special revenue share from the recovery audit contract program to pay a recovery audit contractor. Payments to the contractor are contingent upon the amount of funds recovered and may not exceed 12.5 percent of the amount recovered."

### Public Health and Safety Division

LFD HB 2 Narrative page – B-50

Primary Functions : Provides wide range of public health services to individuals and communities that are aimed at prevention of disease and promotion of health. Services are provided through contracts with private and public providers, including local and tribal health departments, clinics, hospitals, and other community-based organizations.

### Comparisons and Funding

The 2013 biennium budget is \$20.0 million total funds lower than the 2011 biennium budget, including about \$1.3 million less of general fund, \$15.0 million of state special revenues, and \$0.6 million in federal special revenues.

### Legislative Appropriations

Provided for \$107.66 million total funds over the biennium, \$5.45 million general fund, \$21.62 million state special and \$80.59 million in federal funds. The major programs include:

- Public Health and Safety Administration - \$5.9 million total funds
- Chronic Disease and Prevention Programs - \$23.5 million total funds
- Family and Community Health - \$44.9 million total funds
- Communicable Disease and Prevention - \$12.7 million total funds
- State Laboratories - \$8.4 million total funds
- Public Health System Improvement & Preparedness - \$12.2 million

### Differences from Executive Budget

Eliminated the Montana Tobacco Use Prevention Program, reducing state special revenue appropriations by \$15.0 million over the biennium

Eliminated general fund support for contraceptives of \$0.9 million over the biennium

Adopted 5% plan to reduce general fund for contraceptives and data monitoring by \$0.1 million over the biennium

Bypassed a request for \$0.6 million federal funds for WIC infrastructure and reporting

### Major Legislative Initiatives/Implementation Legislation

Reduced tobacco settlement revenues to the tobacco cessation and prevention state special revenue fund from 32% to 13.9% and increased tobacco settlement revenues to the CHIP/MCHA fund from 17% to 35.1%.

## Medicaid and Health Services Branch

LFD HB 2 Narrative page – B-65

### Primary Functions of the Branch

This branch administers:

- Medicaid services
- Healthy Montana Kids
- Six state facilities: Montana State Hospital, Montana Developmental Center, Montana Chemical Dependency Center, Montana Mental Health Nursing Care Center, Montana Veterans' Home and Eastern Montana Veterans' Home
- Community services for aged, blind, and disabled persons, including adult protective services
- Big Sky Rx – Part D prescription drug premium assistance for Medicare eligible persons

The 2013 biennium branch budget supports 1,280.83 FTE or about 40% of the department wide total. Most of the FTE are employed by the six state facilities.

### Comparisons and Funding

The legislative appropriation for the Medicaid and Health Services branch 2013 biennium budget:

- Totals \$2.5 billion - nearly 70% of the total DPHHS appropriation
- Is \$374.0 million higher the 2011 biennium budget, but \$19.8 million total funds (including \$15.2 million general fund) lower than the executive budget request
- Is largely driven by Medicaid services costs, which
  - Total \$2 billion and
  - Account for \$315 million of the difference

The most significant change in the 2013 biennium appropriation is for benefits and claims or services to individuals who meet specific eligibility criteria. It grows \$378 million between biennia. Reductions in personal services and operating costs offset increases in grant and benefits and claims appropriations.

**General fund** is about one quarter of the branch appropriation and the majority - \$469 million – funds state Medicaid matching costs. General fund increases \$178 compared to the 2011 biennium. The biggest changes are due to:

- Loss of the temporary enhanced federal Medicaid match rate in ARRA, which results in a \$94 million general fund increase to maintain 2011 biennium service levels
- Growth in Medicaid enrollment and service utilization and expansion of home and community based service slots - \$68 million

**State special revenue** increases a net \$51 million compared to the 2011 biennium. The major changes are:

- Appropriation of \$17 million in one-time funding from the Medicaid reserve account established in HB 645 by the 2009 Legislature, which diverted a small portion of the enhanced federal Medicaid match rate as allowed by federal law
- Enrollment and service utilization increases for Healthy Montana Kids, which adds \$16 million for state Medicaid and CHIP match
- Reinstatement of the 5% reductions in nursing home and community based services - \$6 million
- Elimination of funding for Big Sky Rx - \$8 million
- Reduction in funding for the Montana Veterans' Home - \$1.7 million

**Federal funds** support about 2/3 of the branch appropriation. Federal Medicaid matching funds are the most significant source - \$1.4 billion over the biennium. Federal funding increases primarily due to growth in:

- Medicaid enrollment and service utilization and addition - \$123 million
- Healthy Montana Kids enrollment and service utilization for children in families with incomes under 100% of the federal poverty level - \$48 million

## Major Changes by Division

### Disability Services Division:

- Increases of \$37.9 million in total funds when compared to the 2011 biennium, the majority to support Medicaid increases
- Reduction of 12 beds in the Montana Developmental Center for the developmentally disabled transferring the individuals to community based placements and reducing staffing by 13 FTE
- Refinancing 250 developmentally disabled individuals served under a general fund program to Medicaid services, results in \$4.0 million general fund savings over the biennium

### Health Resources Services Division:

- Increases of:
  - \$281 million to support Medicaid increases, including \$42 million for updated Medicaid cost estimates
  - \$63 million for Healthy Montana Kids in families with incomes above 100% of the federal poverty level
- A reduction of \$8 million for Big Sky Rx

### Senior and Long-Term Care Division

- Increases of \$37.7 million in total funds when compared to the 2011 biennium, the majority for Medicaid increases
- Reducing state special revenues from cigarette tax revenues supporting the Montana Veterans' Home and allowing the facility to either reduce costs to the average of private facilities with a 4 or 5 star rating for quality determined by CMS or privatizing the operation with state contract oversight

### Additive and Mental Disorders Division:

- Increases of:
  - \$33 million to support Medicaid increases, including \$42 million for updated Medicaid cost estimates
  - \$5 million to fund inflation, overtime, shift differential, and holiday pay at the state mental health facilities

## Differences from Executive Budget

The legislative appropriation for the Medicaid and Health Services branch is about \$19.8 million total funds (including \$15.2 million general fund) lower than the executive budget request. The primary differences in general fund include decreases due to:

- Shifting \$14.2 million of general fund state Medicaid match for Healthy Montana Kids to state special revenue (tobacco settlement funds and Healthy Montana Kids funds)
- Adopting several proposals in the 5% budget reduction plans developed in compliance with 17-7-111(3)(g), MCA that were not included in the executive budget request - \$7.1 million general fund
- Shifting \$1.4 million in alcohol tax revenue to offset general fund Medicaid state match and to offset community chemical dependency services cost
- Adjusting general fund appropriations for federal match rate changes and not accepting executive requests for several Medicaid cost adjustments - \$3.0 million general fund
- Shifting \$1.4 million in state special revenues in health and Medicaid initiatives funds to offset general fund for Medicaid state match for nursing home services

Part of the general fund reductions were offset by an appropriation of \$41.2 million total funds including \$14.2 million general fund for updated Medicaid caseload estimates.

The legislative state special revenue appropriation is a net \$8 million lower than the executive budget primarily due to:



- Eliminating of funding for the Big Sky Rx program
- Reducing support for the Montana Veterans' Home in Columbia Falls from the cigarette tax funds by \$1.7 million over the biennium. As funding remaining in the cigarette tax fund at the end of the fiscal year is transferred to the general fund, the actions have the effect of increasing the general fund balance
- Appropriating state special revenue to offset general fund costs for restoring some 5% budget reductions, offsetting general fund Medicaid costs, and continuing some home and community services funded by a one-time general fund appropriation in the 2011 biennium

The legislature did not approve the executive request to implement enhanced family planning Medicaid services and approved 10.00 of the 20.00 FTE requested to administer Healthy Montana Kids, resulting in the legislative appropriation supporting 15.00 fewer FTE than requested by the executive.

#### Interim Monitoring

##### 2013 Biennium Goal

The legislature recommends monitoring continued implementation of Healthy Kids Montana in the Health Resources Division.

#### Major Legislative Initiatives/Implementation Legislation

Major legislative initiatives include:

- Restricting Medicaid funding for organ transplants for adults to procedures for a single organ transplant, which requires implementation legislation
- Changing presumptive eligibility for Healthy Montana Kids from a mandatory requirement to an optional requirement, which requires implementation legislation
- Eliminating funding for Big Sky Rx
- Requiring the Montana Chemical Dependency Center to downsize and funding community services from reduced facility funding